

**JUDICIAL COUNCIL OF CALIFORNIA**  
**ADMINISTRATIVE OFFICE OF THE COURTS**  
455 Golden Gate Avenue  
San Francisco, California 94102-3660

**Report**

TO: Members of the Judicial Council

FROM: Ms. Christine Hansen, Director  
Finance Division 415-865-7951

DATE: April 16, 2001

SUBJECT: Allocation for Underreporting of Fiscal Year 1996–1997  
Expenditures and Deficiency Requests (Action Required)

Issue Statement

*Background*

In the transition to state funding, which occurred on January 1, 1998, expenditures from fiscal year 1996–1997 (i.e., the most current expenditure data available at that time) were used as the basis for establishing the authorized budgets for the countywide trial court systems. Subsequently, court systems and counties began to identify errors in reporting of expenditures for fiscal year 1996–1997 which, if confirmed, would result in consideration for an allocation to their authorized budgets. These reporting errors primarily involved services that a county provided to a court system, but that were not included in the final Quarterly Financial Report (QFR) that was submitted to the Administrative Office of the Courts (AOC) after the end of fiscal year 1996–1997, thus resulting in an artificially low baseline for the court at the time trial court funding came into effect. Previously, the Judicial Council has authorized the allocation of over \$16 million in ongoing or one-time funds to 38 trial court systems to address errors in reporting.

The Judicial Council, at its business meeting on April 28, 2000, determined that after nearly 2 ½ years since the implementation of state trial court funding, it needed to establish a deadline to address any remaining fiscal year 1996–1997 underreporting issues. A memo was sent to courts on May 24, 2000 asking that they forward any such requests to the AOC by December 31, 2000.

In addition to requests for funding due to errors in reporting that were submitted as a result of the May 2000 memorandum to all trial courts, funding requests were received in at least two other ways. One of these were budget change requests (BCRs) for fiscal year 2001–2002 that were submitted for the most part as County/State Transition requests that were removed from the BCR review process and directed to staff to be included in the underreporting analysis. The other funding requests that were received were deficiency and/or emergency requests that were received from courts during approximately the same period of time.

Thirty-two courts made approximately 93 requests for funding in the amount of \$24.2 million. Thirty-seven requests were reviewed as deficiency items totaling \$11.5 million – just over \$9 million in ongoing and almost \$2.5 million in one-time requests. Fifty-six of the requests were reviewed as underreporting errors totaling \$12.6 million -- \$12.4 million in ongoing and almost \$300,000 in one-time requests.

### *Criteria*

Staff established criteria for the two basic types of requests. The criteria for errors in reporting was published in the memorandum that the courts received. The criteria includes:

- The costs requested must be rule 810 allowable.
- The costs must have been incurred in fiscal year 1996–1997.
- The costs were not reflected on the fiscal year 1996–1997 QFR.
- The costs are charged to courts current fiscal year budget.
- The costs must be specified as either one-time or ongoing.
- Backup information to document the request must be provided.

As a result of the review by staff, the criteria was amended in the following ways:

- The costs are incurred in courts' current fiscal year budget.
- The funding to be approved is the amount that was incurred in fiscal year 1996–1997 or the current amount the court is paying, whichever is less.

Staff established the following criteria for deficiency or emergency requests:

- The costs requested must be rule 810 allowable.
- The cost must be for an urgent need not addressed in the regular budget cycle and that cannot wait until the next budget cycle to be resolved.
- The court must indicate that it cannot absorb the cost within its current budget.

## *Review Process*

Finance Division staff reviewed the requests and the documentation provided and contacted the courts for additional information where it would be helpful in assessing whether the request met the established criteria. The requests were separated into several funding priorities. The funding priorities addressed whether: (a) the request was recommended to be approved in whole or in part; (b) the request provided insufficient justification to be approved; (c) it was rule 810 allowable; (d) a decision on the item was pending the receipt of year end information; (e) the request was no longer required because the court is or may be receiving funding from another source; and (f) the request involves a statewide issue that would have to be addressed by contacting all courts, rather than only the few that submitted requests.

The staff recommendations were presented to Finance Division management for discussion and review. During its review, the management team decided if the requests were actually underreporting or deficiency in nature, regardless of how they were characterized by the court. A determination was then made as to whether these requests should be approved in whole or part, denied altogether, or temporarily set aside pending some other action, such as the whether the budget change proposals (BCPs) currently pending in the Governor's Proposed Budget are funded, or the receipt of year end actual data to verify a court's request.

At the same time that this process was underway Finance Division staff was reviewing the potential funding available to address these issues. The review revealed that almost no ongoing funding was available at this time. Because of the lack of ongoing funding, only one-time funds will be available for allocation to the courts to pay for these costs.

## Recommendation

Staff recommends that the items indicated in Attachment A be funded on a one-time basis in the amount of \$2,749,019 as errors in reporting of fiscal year 1996–1997 expenditures. This will provide funding for 16 courts in the areas of records storage, mental health hearing officers, court appointed counsel, security, janitorial, mediation services, information technology, painting and flooring, salaries for staff, personnel, insurance, county counsel, financial services, and expert witness fees. The remaining \$9,894,208 in requests did not meet the criteria for funding and will be denied at this time.

Staff further recommends that the items in Attachment B be funded on a one-time basis in the amount of \$372,701 as deficiency requests. This will provide funding for 3 courts in the areas of security, liability insurance costs, and health insurance

costs. Two of these requests are one-time in nature and will be totally covered with this allocation. The other request is of an ongoing nature. The court may want to submit a fiscal year 2002–2003 budget change request, if it fits in one of the priority program areas, if they want to try to obtain ongoing funding. The remaining \$11,157,550 in requests did not meet the criteria for funding and will be denied at this time.

Staff has indicated to courts at the fiscal year 2002–2003 budget development workshops that if the need for funding for these items is important to them, and they fit into the priority areas, they should submit budget change requests in the fiscal year 2002–2003 budget development process.

### Alternative Actions Considered

Several alternatives to the proposed recommendation were considered. These include: (1) providing ongoing funding to the courts for those approved requests that were of an ongoing nature; (2) submit a May Revise request for ongoing funding for fiscal year 2001–2002; (3) submit a deficiency request for ongoing funding for current year and following years; and (4) providing no funding (ongoing or one-time) for these approved items. The first alternative can not be implemented because there is insufficient ongoing funding available. The second and third alternatives were dismissed recognizing the current state of the economy and projected future reductions in revenue and the competing demands due to the energy crisis. The last alternative, while possible, does not acknowledge the work the courts went to in putting together their requests. It also does not acknowledge that some of the requests received did meet the criteria.

### Comments from Interested Parties

This item was not circulated for comment.

### Implementation Requirements and Costs

This recommendation would not require a request for additional funds. It would utilize only available one-time year end funding.